ESG Reporting Guide
2025

EURONEXT

EMPOWERING
SUSTAINABLE GROWTH

Introduction

Sustainability must be at the heart of every company's strategy in 2025. Integrating environmental, social and governance (ESG) matters into decision-making goes beyond compliance; it is essential for demonstrating tangible ESG performance and progress, which is now a prerequisite for shareholders seeking sustainable investments.

Navigating ESG is becoming an increasingly central factor in capital markets, serving as the basis for trust, enhanced transparency, and stakeholder perception. ESG plays a pivotal role in communicating and evaluating extra-financial performance for companies, investors and the wider public. In 2025, ESG reporting is not only a requirement, but also marks a new era of corporate responsibility, transparency and comparability across sectors and geographies.

Although ESG reporting has previously been perceived as overly formalistic or burdensome, its strategic importance continues to grow. Far from being a mere compliance obligation, ESG serves as a framework for identifying long-term risks and opportunities, improving corporate resilience, and fostering stakeholder trust. When approached seriously and integrated into core decision-making, ESG can support innovation, enhance access to capital, and contribute meaningfully to value creation. The evolving regulatory landscape only reinforces what forward-looking companies have already understood: ESG is not an ancillary concern, but a key dimension of overall business performance.

Whether you are considering your company's Initial Public Offering (IPO), a bond issuance, a capital increase or regular updates for investors and stakeholders, an integrated strategic approach to sustainability will boost your company's ability to attract and retain long-term investors and increase buy-in from stakeholders.

Companies increasingly report on their ESG performance, driven by investor expectations, regulatory requirements and their own corporate commitments. Euronext data suggests that over 90% of listed companies report on ESG metrics. Since 2020, the number of data points collected has increased significantly, with the Euronext ESG Trends Report 2025 analysing over 120,000 raw data points from more than 1,700 listed companies, covering more than 50 quantitative indicators per issuer. This rapid uptake has been fuelled not only by the evolving regulatory environment (e.g., CSRD or EU Taxonomy), but also by voluntary reporting based on existing standards or internal methodologies.

The environment is in sharp focus, with concerted efforts from parties around the world to reduce the impact of climate change. The Paris Agreement of 2015[1] aimed to keep global warming within safe levels. As a result, the European Commission introduced the European Green Deal in 2019, comprising a range of policy initiatives to become the world's first carbon-neutral continent by 2050[2].

At the same time, EU citizens continue to view social challenges as a priority and closely scrutinise how businesses respond. According to the 2024 Special Eurobarometer 546 - Social Europe, 45% of Europeans consider the standard of living as one of the most important elements for the EU's economic and social development, 44% cite fair working conditions and 40% mention equal opportunities and access to the labour market [3]. This stance is reflected in consumer and employment preferences, with 63% claiming to buy or advocate for brands based on their values, and 69% of employees expecting their employers to have a strong societal impact [4].

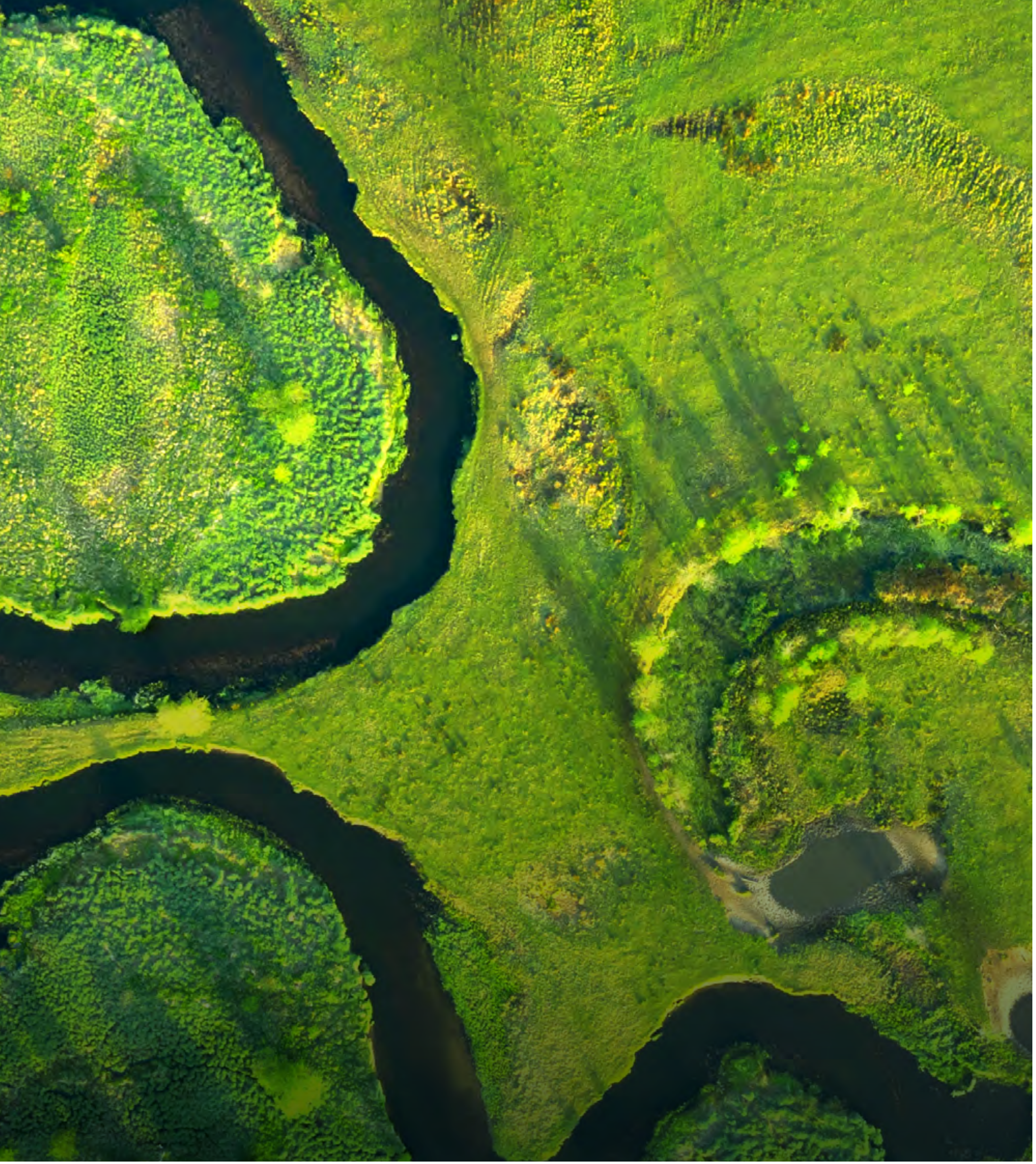
The European Union is often viewed as a global leader in implementing and promoting ESG legislation[5], meaning that organisations operating within the EU are held to some of the highest standards globally. However, they are also well-placed to benefit from the coherent and effective ESG practices of their business ecosystem, thanks to procedures required by authorities and investors alike. Regulations enacted by the EU and other authorities are positioned to help the ESG market mature throughout this decade, as investors seek issuers who can manage risk more effectively through their sustainability efforts.

[1] The Paris Agreement: www.un.org/en/climatechange/paris-agreement
[2] European Commission 2050 long-term strategy: climate.ec.europa.eu/eu-action/climate-strategies-targets/2050-long-term-strategy
[3] European Commission Special Eurobarometer 546 - Social Europe: www.adcoesao.pt/wp-content/uploads/social_europe.pdf?utm
[4] 2023 Edelman Trust Barometer – Europe Report: https://www.edelman.com/be/insights/2023-trust-barometer-europe-report
[5] Barnes & Thornburg: What Can the U.S. Learn From The EU About ESG? btlaw.com/insights/blogs/environmental/2023/what-can-the-us-learn-from-the-eu-about-esg

What's new this year?

2025 marks a pivotal moment in ESG disclosure as companies in the scope of the Corporate Sustainability Reporting Directive (CSRD) reported for the first time (see section IV. 1). Companies are navigating heightened investor expectations alongside a rapidly evolving regulatory landscape. The European Commission's Omnibus Simplification Package, introduced in February 2025, aims to streamline sustainability reporting requirements, including the CSRD, ESRS and EU Taxonomy[6].

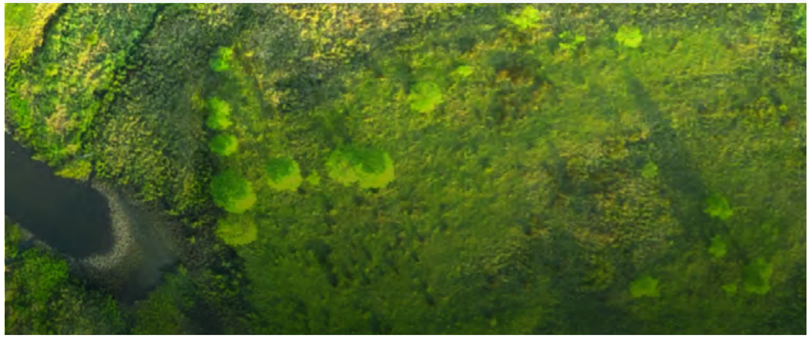
[6] Omnibus Simplification Package - European Commission



The initial Omnibus Simplification Package proposes significant changes to the EU's sustainability reporting framework:

- Raising the employee threshold for CSRD applicability from 250 to 1,000, potentially **exempting approximately 80% of companies** previously in scope.
- **Delaying the implementation** of certain reporting requirements, most notably through the Directive 2025/794, which was published in the Official Journal of the EU on 16 April 2025 and entered into force on 17 April 2025. Member States must now transpose the Directive into national legislation by 31 December 2027, giving companies additional time to adapt to the new sustainability reporting obligations.
- **Simplifying** the European Sustainability Reporting Standards (ESRS) to reduce administrative burdens and enhance clarity.

These measures aim to balance the EU's sustainability objectives with the need to maintain global competitiveness, potentially saving European companies up to €40 billion in compliance costs.



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I. Why are investors interested in ESG?

There are several reasons for this growing interest. The most prominent include:

Financial performance

Sustainable funds have consistently outperformed traditional funds. In 2023, sustainable funds had a median return of 12.6% compared to 8.6% for their traditional counterparts [7].

Regulatory and policy changes

Governments and regulators worldwide are implementing policies to promote sustainable investing, and often **require investors to integrate more ESG information** into their investment strategies. The EU Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR), and the Corporate Sustainability Reporting Directive (CSRD) are examples of regulations mandating greater transparency and accountability on ESG issues, including from investors.

Risk management

Stocks with high ESG ratings exhibit lower total risk than stocks with the same systematic risk but lower ESG ratings[8], making sustainable companies an attractive investment. Additionally, climate risk management is becoming a central element for financial institutions, hence their interest in understanding and driving ESG performance.

Rising stakeholder demands

Investors are increasingly recognising that their clients expect ESG factors to be integrated into investment decisions and that employees prefer to work for companies with strong ESG performance[9]. **A recent survey found that more than 80% of investors believe companies should address environmental and social issues, and nearly 70% consider a company's sustainability practices when making investment decisions[10].**

[7] Morgan Stanley: Sustainable Funds Outperformed Peers in 2023 www.morganstanley.com/ideas/sustainable-funds-performance-2023-full-year

[8] NYU Stern Center for Sustainable Business: ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020 www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf

[9] Wolters Kluwer ESG Trends 2024: www.wolterskluwer.com/en/expert-insights/esg-trends-2024

[10] Morgan Stanley: Individual Investor Interest in Sustainable Investing Remains Strong www.morganstanley.com/insights/articles/sustainable-investing-interest-2025

Sustainable investing and dedicated funds

Investors increasingly apply different investment strategies based on ESG criteria[11], including:

- **Negative screening or exclusion**: exclusion of companies, sectors or geographies from the investment universe based on general principles, norms or their involvement in controversial activities e.g. child labour.
- **Best-in-class approach**: selection of companies from the investment universe based on their relative ESG performance e.g. top 10%.
- **Themed investment**: selection of companies from the investment universe based on specific sustainable themes or supporting specific Sustainable Development Goals (SDGs)[12], e.g. gender equality.
- **Extra-financial performance**: selection of companies in a portfolio approach based on explicit incorporation of ESG risks and opportunities into traditional financial analysis and investment decisions.
- **Corporate engagement**: selection of companies from the investment universe based on the opportunity to engage with company management, propose or vote resolutions on ESG issues.

[11] PRI: What is responsible investment? www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article

[12] Sustainable Development Goals adopted by all UN Nation Member States in 2015. See THE 17 GOALS | Sustainable Development (un.org)

II. Why are companies interested in ESG?

The reasons for this growing interest are diverse. The most prominent ones include:

Investor demand

As detailed above, investors' interest in ESG is growing rapidly, as are their expectations and demands as they become more sophisticated.

Shareholder engagement

Investors can also go further and take a position on ESG issues, **requiring companies to improve their practices**, including by making resolutions at their AGMs.

Regulatory and policy changes

Regulations increasingly require greater transparency and reporting from companies on all types of ESG considerations, which can range from double materiality assessments to reporting on specific environmental or social indicators. **For instance, the EU's Corporate Sustainability Reporting Directive (CSRD) mandates comprehensive ESG disclosures.**

Risk management

Investing in ESG performance is a way for companies to **reduce or mitigate risk**. Every company faces a wide range of ESG-related issues, which can cause reputational or even financial damage, e.g. water pollution. ESG risk management is becoming a standard practice and part of business risk management.

Rising stakeholder demand

A variety of stakeholders, from consumers and shareholders to the wider community, are **asking for greater transparency**. Stakeholders are increasingly active in making companies accountable for their ESG performance.

Reputation and brand value

Not investing in ESG can result in a wide range of threats, exposing companies to greater risks. Incidents, including those arising from greenwashing practices, can taint corporate brand reputation and even turn into backlash and boycott. On the other hand, a proactive **ESG strategy can increase brand awareness and value.**

Equity story

ESG is becoming part of a company's **storytelling to investors**. A compelling equity story integrates ESG performance and explains how it will contribute to creating value and addressing risks.

Long-term value creation

ESG performance can drive value creation for all stakeholders and ensure more **sustainable growth**.

Innovation and growth

ESG can help identify and unlock **new opportunities** for innovation and growth, either by transforming business models or creating new ones.

This guide explores the evolving regulatory landscape in the EU, providing recommendations for preparing for ESG reporting and best practices for communicating your ESG strategy to investors.

III. How can companies benefit from this guide?

PRIVATE COMPANIES

Anticipate future obligations, improve non-financial credibility

LISTED SMEs

Leverage simplified ESRS for cost-effective ESG alignment·

LARGE LISTED ISSUERS

Improve quality and comparability of ESG disclosures across markets

PRIVATE COMPANIES

ESG matters are not only a concern for publicly traded companies. There are many areas in which improved ESG performance can benefit a private company.

Many of the risks associated with a sub-optimal sustainability strategy also apply to private companies. This includes the potential for reputational damage resulting from the exposure of environmental pollution by a company, or employee mistreatment within the business or its supply chain[13].

Being able to present a comprehensive ESG strategy is also beneficial when pitching to socially responsible investors or potential partners.

Where a private company forms part of the supply chain of a public company in the scope of EU sustainability legislation, it may be obliged to meet ESG standards as part of the partnership agreement.

[13] PRI: Managing ESG Risk in the supply chains of private companies and assets
www.unpri.org/download?ac=1894

LISTED SMEs

Listed SMEs face a unique challenge in balancing the growing demands for robust sustainability reporting with the resource constraints often associated with smaller organisations. While they may not always compete with large-cap companies for the same pool of investors, they must still **demonstrate strong ESG performance to attract and retain capital from investors.** However, implementing a comprehensive ESG strategy can be particularly demanding for SMEs because of the complexity of administrative and legal procedures[14].

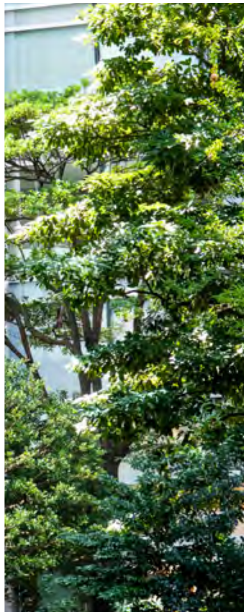
LARGE LISTED ISSUERS

The phasing-in of European sustainability legislation begins with the largest companies and then works down to SMEs. Large listed issuers have already responded to investor demand to **integrate ESG into their strategy and now ensure they fully understand and meet their regulatory obligations**.

With significant operations and complex supply chains, often across multiple countries and continents, large listed companies are at risk of environmental and social contraventions taking place in their name.

Understanding implicitly the requirements and best practices for ESG compliance can protect large companies from financial, legal, regulatory and reputational risk.

[14] European Union: SMEs, resource efficiency and green markets
europa.eu/eurobarometer/surveys/detail/2287



IV. The regulatory landscape in 2025

Comprehensive overview of major ESG regulations shaping the reporting environment.

1. Corporate Sustainability Reporting Directive (CSRD)

CSRD

The Corporate Sustainability Reporting Directive (CSRD) has been designed by the European Union to **foster more transparency and comparability** in the communication of European and some non-European environmental and social impacts, but also on their governance and ethical topics.

While the initial CSRD reporting requirements covered over 50,000 European companies, the **Omnibus Package is expected to significantly alter the scope and timeline of the CSRD**, by proposing to raise the applicability thresholds to exclude medium and small companies and introducing simplification measures for the companies remaining in its scope.

WHO IS AFFECTED?

Following the adoption of the Omnibus Simplification Package, the CSRD's scope is expected to be limited. While the original implementation was expected to affect more than 50,000 companies in the EU, this figure is now expected to decrease by at least 80%, due to changes in size thresholds and the potential removal of mandatory reporting obligations for SMEs. The Omnibus Package has also modified the CSRD implementation timeline through a "stop-the-clock" directive.

WAVE 1: LARGE LISTED EUROPEAN COMPANIES

Large listed companies that already publish CSRD-aligned reports will continue publishing these reports, but these must be in line with the revised ESRS expected in October 2025. The number of reporting corporates under Wave 1 is, however, expected to be greatly reduced, due to higher applicability thresholds (currently proposed at 500 or 1000 employees and €450 million in revenue)

New – quick fix update: For financial years 2025 and 2026, companies in Wave 1 are permitted to omit disclosure requirements from four standards, ESRS E4 (Biodiversity), S2 (Value chain workers), S3 (Affected communities), and S4 (Consumers and end-users), provided these remain in the materiality assessment and simplified disclosures are provided when material. In addition, a three-year phase-in is granted for certain complex indicators listed in Annex C of ESRS 1, including anticipated financial effects and selected social indicators.

WAVE 2: LARGE NON-LISTED EUROPEAN COMPANIES

It is expected that large non-listed European companies falling under the new thresholds will be required to publish their sustainability reports from 2028 based on FY 2027 data.

WAVE 3: LISTED SMEs

The Omnibus Package proposal postponed the CSRD application for Listed SMEs by two years (starting from 2028), but in view of the expected rise in the CSRD applicability thresholds, there is limited visibility on whether listed SMEs will remain in scope of the CSRD.

WAVE 4: NON-EUROPEAN COMPANIES OPERATING IN THE EU

There is also little visibility at this stage on the applicability of CSRD to non-European companies operating in the EU (third-country undertakings).

REPORTING REQUIREMENTS

Under the Omnibus Package, the volume of reporting obligations required by the ESRS is expected to be significantly reduced. The European Commission mandated EFRAG to review and streamline the original ESRS (European Sustainability Reporting Standards) by the end of summer 2025, and is planning their adoption by Q4 2025.

The European Commission has adopted on 30 July 2025 a Recommendation on a Voluntary Sustainability Reporting Standard for Small and Medium-sized Enterprises (VSME)[15] based on EFRAG VSME standards[16].

The original ESRS framework[17] is structured as follows:

- **Cross-cutting standards**
  - ESRS 1: General requirements
  - ESRS 2: General disclosures
- **Environmental standards**
  - ESRS E1: Climate change
  - ESRS E2: Pollution
  - ESRS E3: Water and marine resources
  - ESRS E4: Biodiversity and ecosystems
  - ESRS E5: Resource use and circular economy
- **Social standards**
  - ESRS S1: Own workforce
  - ESRS S2: Workers in the value chain
  - ESRS S3: Affected communities
  - ESRS S4: Consumers and end-users
- **Governance standards**
  - ESRS G1: Business conduct

Sector-specific standards for high-risk industries (e.g. fossil fuels, mining) were originally expected by 2026, but have disappeared following the Omnibus Simplification Package.

COMPLIANCE

Regardless of the expected simplification, companies are expected to continue to perform a **double materiality assessment** to determine the relevance of sustainability topics, and thus the content of their sustainability statements. This involves assessing each topic from two complementary perspectives:

1. The **inside-out or impact perspective** – how the company's operations affect society and the environment

2. The **outside-in or financial perspective** – how sustainability issues affect the company's financial performance and enterprise value

ABOUT THE QUICK FIX DELEGATED ACT (JULY 2025)

Adopted on **11 July 2025**, this act introduces urgent and targeted simplifications for Wave 1 companies:

- A temporary exemption (FYs 2025 and 2026) from certain ESRS thematic standards;
- A **three-year delay** in applying select complex disclosure requirements listed in Annex C of ESRS 1;
- The obligation to explain, where disclosures are omitted, how these topics are addressed in the company's strategy, targets, policies and actions.

[15] Commission Recommendation of 30.7.2025 on a voluntary sustainability reporting standard for small and medium-sized undertakings: https://ec.europa.eu/finance/docs/law/250730-recommendation-vsme_en.pdf
[16] "ESRS LSME (ESRS for Listed SMEs), Exposure Draft Consultation." EFRAG. Accessed August 28, 2024.
[17] "Commission Delegated Regulation (EU) 2023/2772 of 13 June 2023." Official Journal of the European Union. Accessed August 28, 2024.

First CSRD reports: Lessons from early filers

As of mid-2025, the first cohort of companies subject to the Corporate Sustainability Reporting Directive (CSRD) has published its inaugural sustainability statements under the new European Sustainability Reporting Standards (ESRS). These filings, made by over 600 large undertakings across the EU, represent a landmark in the transition to mandatory ESG disclosures in Europe. They also provide a reality check on the challenges of operationalising the CSRD's complex framework in practice.

Independent reviews conducted by PwC and EY reveal several critical trends. According to PwC's analysis of the first 100 CSRD disclosures[18], reporting quality varies significantly across issuers. Companies headquartered in countries with mature ESG ecosystems, such as France, the Netherlands, and the Nordic nations, tended to produce more complete and internally coherent reports. These firms often had the advantage of established non-financial reporting practices aligned with previous regimes like the Non-Financial Reporting Directive (NFRD).

Conversely, companies operating in jurisdictions where ESG reporting is less embedded struggled with the technical demands of the ESRS. EY's CSRD Barometer 2025[19], which analysed early filings across multiple sectors, observed widespread inconsistencies in **how firms approached data boundaries, forward-looking targets, and double materiality assessments**. This disparity has raised concerns among regulators and investors about potential fragmentation and comparability gaps, undermining one of the CSRD's central goals: the creation of a common ESG reporting baseline across the single market.

A second key insight relates to climate disclosure, particularly Scope 3 greenhouse gas (GHG) emissions. These emissions often represent the largest share of a company's carbon footprint, but remain the most challenging to quantify. Under **ESRS E1**, companies are required to disclose Scope 1, 2 and 3 emissions, with Scope 3 reporting being mandated on a **best-effort basis**, in line with the GHG Protocol. Recognising practical limitations, the standards allow for the use of estimates, proxies and incomplete data where necessary.

According to PwC, even some of the most advanced reporters disclosed Scope 3 emissions in qualified terms, citing reliance on estimates, data gaps in their supply chains, and limited supplier readiness, **all of which are anticipated and permitted within the current regulatory framework.** Similarly, EY noted that while many companies attempted Scope 3 disclosures, they often struggled to disaggregate emissions across upstream and downstream categories, and that methodological choices varied. This again reflects the early stage of implementation and the flexibility afforded by the standards.

This challenge is particularly acute for companies whose value chains include SMEs or non-EU partners that are themselves not yet subject to the CSRD. The result is a **disclosure bottleneck: while firms are legally required to publish data, they often lack the governance structures, digital tools, or leverage to collect it reliably**. This gap has reinforced the strategic importance of ESG data governance, not only as a reporting function, but as a core aspect of supply chain management and corporate strategy.

Perhaps the most important lesson from these early reports is that **CSRD compliance is not a one-time exercise, but a multi-year transformation**. Both EY and PwC emphasise that sustainability reporting must move beyond the remit of legal and communication departments and become integrated into core finance, risk and operational systems. In this sense, the first CSRD reports have served as diagnostics: exposing weaknesses in data collection, cross-departmental coordination and governance maturity that will need to be addressed in subsequent cycles.

[18] PwC: Insights from the first 100 CSRD reports https://www.pwc.com/gx/en/issues/esg/sustainability-compliance-to-reinvention/corporate-sustainability-reporting-directive/initial-csrd-insights.html

[19] EY CSRD Barometer 2025 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/technical/csrd-technical-resources/documents/ey-gl-ey-csrd-barometer-05-2025.pdf

CASE STUDY

Double materiality - financial vs. impact materiality

The Italian company Enel S.p.A. is the number one producer and distributor of electricity, and a leader in electricity and natural gas in Europe. The activity is organised mainly around two areas:

- Generation and sale of electricity. The Group also sells gas to final customers in Italy and Spain.
- Distribution of electricity.

The company has been listed on Euronext Milan since 1999.

STEP 1
PRE-IDENTIFICATION OF ESG TOPICS

In order to identify all sustainability issues and related Impact Risks and Opportunities (IROs) for the double materiality process, the Group carried out an analysis of the internal context, mainly based on its Strategic Plan and other information provided to investors, as well as the external context, also through the analysis of leading publications in the electricity sector. This analysis led to the identification of ESG trends, including climate change, the digital revolution and geopolitical instability. In addition to influencing the present, these phenomena will also be reflected in the economic, social and environmental dimensions of sustainable development in the future and are often mutually conditioned and act in combination, reinforcing their individual impact.

A periodic revision of the Topic Tree is carried out not only by taking into consideration the newly emerged ESG trends, but also by considering other factors, such as:

- the topics of greatest interest to investors and the ESG rating agencies relevant to financial markets;
- sector benchmarking studies;
- sustainability reporting standards (including those defined by EFRAG, e.g., ESRS 1, paragraph AR 16);
- the strategic guidance of the company.

As a result of the revision, the ESG 2024 topics have been grouped into four categories: environmental topics, social topics, governance topics and entity-specific topics, and divided into three levels (topic, subtopic, sub-subtopic).

STEP 2

IDENTIFICATION AND ENGAGEMENT OF STAKEHOLDERS

The stakeholders involved in the 2024 materiality analysis represent the individuals or interest groups that are affected or could be affected by the organisation's activities, and who are regularly involved through numerous listening initiatives in order to capture their expectations and identify potential and future impacts.

Consistent with the review conducted on the ESG Topics Tree, the Stakeholder Tree is also periodically reviewed to keep it in line with the context in which Enel operates.

In 2024, company management (also at business line and country level) were engaged through a specific questionnaire, in which they were asked to assess the relevance of the different categories above based on the following parameters: dependence, influence and tension.

Stakeholders were grouped into categories, classified on three levels, in line with the structure of the topics analysed. The first level stakeholder categories are:

- Businesses and trade associations;
- Customers;
- Financial community;
- Institutions;
- Affected communities;
- Media;
- Own workforce;
- Suppliers.

Once the topics and stakeholder categories had been identified and weighted by their respective relevance value, stakeholders were involved in the process of assessing ESG topics. They were asked to rate topics in terms of their priority, in order to identify the main issues of interest. The analysis of the priority assigned by the stakeholders to the topics was carried out through the implementation of over 370 engagement initiatives (surveys, focus groups, interviews, document analysis, etc.) covering the main countries and regions where the Group is present. The engagement initiatives used in materiality analysis were part of the various engagement initiatives carried out during the year by the Group's various units. These initiatives included: customer satisfaction surveys; questionnaires from sustainability rating agencies; customer complaints; relations with analysts and investors, representative and trade associations; institutional relations at national and local levels, as well as with trade unions; media monitoring and opinion polls.

In 2024, the main first-level priorities assigned by stakeholders for the Group were:

- Climate change;
- Workers in the supply chain;
- Water resources management;
- Electrification of uses;
- Resilient grids.

STEP 3
IDENTIFICATION AND EVALUATION OF POTENTIALLY MATERIAL IROS

Enel identified the potentially material Impacts, Risks and Opportunities (IROs) related to sustainability issues, considering both those proposed in ESRS 1 and additional Group-specific issues identified through context analysis, stakeholder engagement, and internal processes. In addition, Enel's internal stakeholders contributed to the process of defining IROs.

The list of potentially material IROs related to ESG topics is considered the basis for internal stakeholder assessment, with the aim of determining the material IROs from which the corresponding material topics are derived.

STEP 4
EVALUATION OF IROS

Potentially material IROs relating to sustainability topics were assessed by internal and external stakeholders relevant to Enel, to determine material impacts – the so-called impact materiality – and material risks and opportunities – the so-called financial materiality.

a) Impact materiality

Impact materiality analysis consists of assessing the impacts generated by the company on the economy, the environment and people. This includes both negative impact (taking into account any human rights violations), and positive impact (evaluating the contribution to sustainable development). An ESG topic is therefore material, from the point of view of impact materiality, if it concerns material impacts (actual or potential, positive or negative) of the company on people or the environment.

For impact materiality, the specific methodology applied by the Group provides an assessment of the severity of impacts, which in turn is determined based on:

- Scale: how severe the impact is or could be;
- Scope: how widespread the impact is or could be;

- Irremediable character (for negative impacts only): how difficult it is or could be to counteract or repair the resulting damage.

For potential impacts, severity is weighted by the probability of occurrence over the relevant time horizon.

b) Financial materiality

Financial materiality analysis consists of identifying and assessing risks and opportunities related to ESG topics arising from the external environment, which affect or could affect, positively (opportunity)/negatively (risk), the company's financial position. Such information is particularly relevant for investors (so-called "primary users") because, if omitted, misrepresented or obscured, it could reasonably influence their investment choices and decisions. Enel had already conducted the financial materiality assessment in previous years, and in 2024, it strengthened the methodology adopted, including the correlation of identified IROs with the Group's Risk Catalogue to ensure consistency of language and representation. In particular, potentially material risks and opportunities were assessed on the basis of the following characteristics:

- potential magnitude of financial effects;
- likelihood of occurrence.

On the basis of the characteristics described above (for both impact materiality and financial materiality), a workflow of questions was developed in Enel's proprietary system to guide internal stakeholders involved in the process in the assessment of IROs within their remit. These evaluations make it possible to define a final score for each IRO (expressed as a percentage from 1 to 100). On the scores thus obtained, the appropriate quanti-qualitative thresholds are applied to define the material impacts, risks and opportunities.

Key external stakeholders, together with internal stakeholders, were involved in the IRO assessment in order to determine the list of environmental, social and governance issues, as well as entity-specific issues (i.e. industry-specific and representative of the facts and circumstances in which the Group operates).

STEP 5

TAKING ACTION ON MATERIAL ESG TOPICS

The double materiality analysis allows the company to identify material environmental, social and governance topics that are significant from an impact materiality perspective, a financial materiality perspective or both. On the different IROs, Enel sets a duration and an impact management strategy in coping with positive or negative material impacts, as well as an opportunity/risk management strategy for potential material opportunities/risks.

Therefore, if the double materiality analysis guides the identification of the material topics, the priority topics direct the company's further efforts to pursue its strategic choices, enriching its sustainability plan altogether.

To learn more and see the outcome of Enel's double materiality assessment, see Enel's Annual Report for 2024[20].

[20] Enel Integrated Annual Report 2024, p244: https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2024/annuali/en/integrated-annual-report_2024.pdf

2. EU Taxonomy

Criteria for sustainable activities and alignment disclosure

The EU Taxonomy is a tool for financial stakeholders to **identify environmentally friendly investment opportunities** and, more broadly, to meet the European Commission's goals of sustainable growth. It therefore requires companies to report on the proportion of their total turnover and operating expenses derived from products or services associated with taxonomy-eligible and aligned activities, as well as on the proportion of capital expenditures related to assets or processes associated with such activities.

For economic activity to be considered in line with the Taxonomy, it must first **contribute substantially (be eligible) to one of the six environmental objectives** outlined in the Taxonomy Regulation (EU) 2020/852:

- **a.** Climate change mitigation;
- **b.** Climate change adaptation;
- **c.** Sustainable use and protection of water and marine resources;
- **d.** Transition to a circular economy;
- **e.** Pollution prevention and control;
- **f.** Protection and restoration of biodiversity and ecosystems.

In addition, it must comply with **Do No Significant Harm (DNSH) criteria** for all six objectives, as well as with minimum social safeguards, as set out in the OECD's guidance for responsible business conduct[21] and the United Nations Guiding Principles on Business and Human Rights[22].

Who is affected?

Scope

Introduced in 2020 and until 2024, the EU Taxonomy has affected only companies subject to the NFRD[23]. As of 2024, it has been extended to all companies within the scope of the Corporate Sustainability Reporting Directive (CSRD), in line with the EU's broader sustainable finance agenda. The revision of the CSRD applicability thresholds under the Omnibus Simplification Package, announced in February 2025, will also affect the EU Taxonomy's scope.

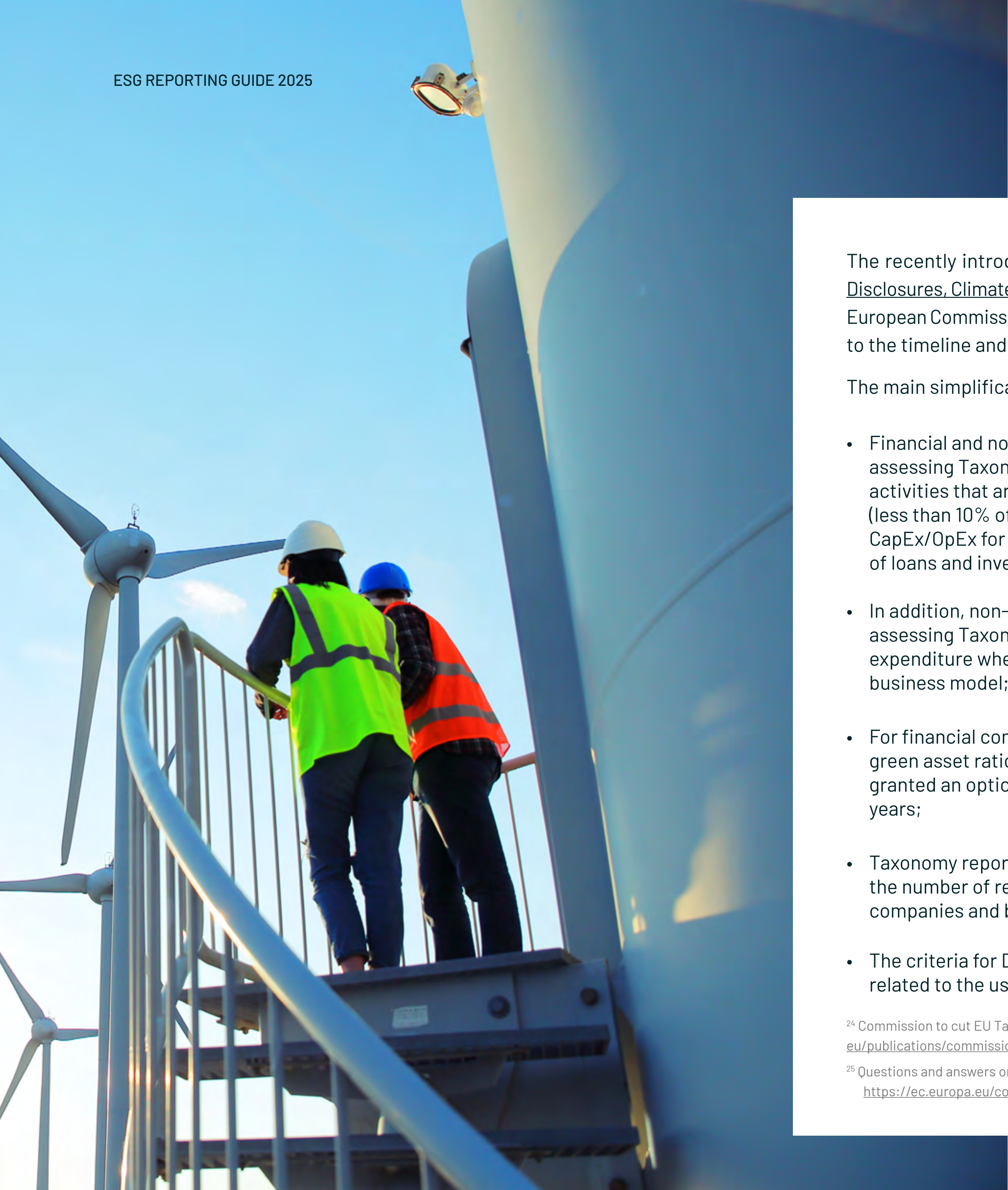
Reporting requirements

According to the initial EU Taxonomy regulation, the in-scope companies had to report on the proportion of their total turnover derived from taxonomy-eligible and aligned activities, and on the proportion of CapEx and OpEx related to assets or processes contributing to the six environmental objectives. Financial undertakings—including banks, insurers, and asset managers—must also disclose to what extent their financing and investments are taxonomy-aligned, notably through the Green Asset Ratio (GAR) and Banking Book Taxonomy Alignment Ratio (BTAR) as per EBA guidelines.

[21] OECD Due Diligence Guidance for Responsible Business Conduct mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf

[22] "United Nations Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

[23] European Parliament: Non-financial Reporting Directive www.europarl.europa.eu/RegData/etudes/BRIE/2021/654213/EPRS_BRI(2021)654213_EN.pdf



The recently introduced Delegated Act amending the Taxonomy Disclosures, Climate and Environmental Delegated Acts issued by the European Commission (4 July 2025) introduced several amendments to the timeline and the reporting scope[24].

The main simplification measures include:

- Financial and non-financial companies are exempt from assessing Taxonomy-eligibility and alignment for economic activities that are not financially material for their business (less than 10% of a company's total revenue, less than 10% CapEx/OpEx for non-financial undertakings and less than 10% of loans and investments financing)[25];
- In addition, non-financial companies are exempt from assessing Taxonomy alignment for their entire operational expenditure when it is considered non-material for their business model;
- For financial companies, key performance indicators like the green asset ratio (GAR) for banks are simplified, and they are granted an option not to report detailed Taxonomy KPIs for two years;
- Taxonomy reporting templates are streamlined by cutting the number of reported data points by 64% for non-financial companies and by 89% for financial companies;
- The criteria for DNSH to pollution prevention and control related to the use and presence of chemicals are simplified.

[24] Commission to cut EU Taxonomy red tape for companies: https://finance.ec.europa.eu/publications/commission-cut-eu-taxonomy-red-tape-companies_en

[25] Questions and answers on EU Taxonomy simplifications to cut red tape for companies: https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_1726

Compliance

1. **Identify the NACE** codes (statistical classification of economic activities in the European community) that correspond to your company's operations. A full list of economic activities and their respective codes is provided in **Annexes I and II of the EU Taxonomy Delegated Acts**. If your activity is listed, it is **taxonomy-eligible** – meaning it has the potential to be considered environmentally sustainable.

2. **Evaluate the eligible activities against the Technical Screening Criteria (TSC).** These are defined for each of the six environmental objectives and are designed to ensure that the activity:

   Substantially contributes to one or more of the following:

   a. Climate change mitigation;
   b. Climate change adaptation;
   c. Sustainable use and protection of water and marine resources;
   d. Transition to a circular economy;
   e. Pollution prevention and control;
   f. Protection and restoration of biodiversity and ecosystems.

Does no significant harm (DNSH) to any of the other five objectives. This is assessed via DNSH criteria established under the 2023 Climate and Environmental Delegated Acts, which were fully applicable from January 2024[26].

3. **Ensure compliance with minimum social safeguards**, as required under Article 18 of the Taxonomy Regulation. These safeguards reference the **OECD Guidelines for Multinational Enterprises** and the **UN Guiding Principles on Business and Human Rights**, and are a precondition for alignment. Companies must demonstrate that they have due diligence procedures in place to respect human and labour rights throughout their value chain (OECD, 2023).

4. **Collect the necessary environmental performance data**. This includes quantitative indicators for turnover (CapEx and OpEx, broken down by activity) and qualitative information explaining methodologies and assumptions. The European Commission has **issued standardised reporting templates** for these disclosures, updated in 2024 to reflect new objectives and usability improvements[27].

5. **Disclose alignment** with the EU Taxonomy using the required formats. Disclosures must cover how and to what extent each activity is eligible and aligned, including DNSH and minimum safeguards assessments. For financial undertakings, metrics such as the **Green Asset Ratio (GAR)** and **Banking Book Taxonomy Alignment Ratio (BTAR)** must be reported in accordance with the **EBA Implementation Guidelines 2025[28]**.

[26] 2023 Climate and Environmental Delegated Acts: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R2486

[27] European Commission, 2024: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards_en

[28] EBA Implementation Guidelines 2025 (EBA, 2025): https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-final-guidelines-management-esg-risks

WHAT QUALIFIES AS AN ENVIRONMENTALLY SUSTAINABLE ACTIVITY?

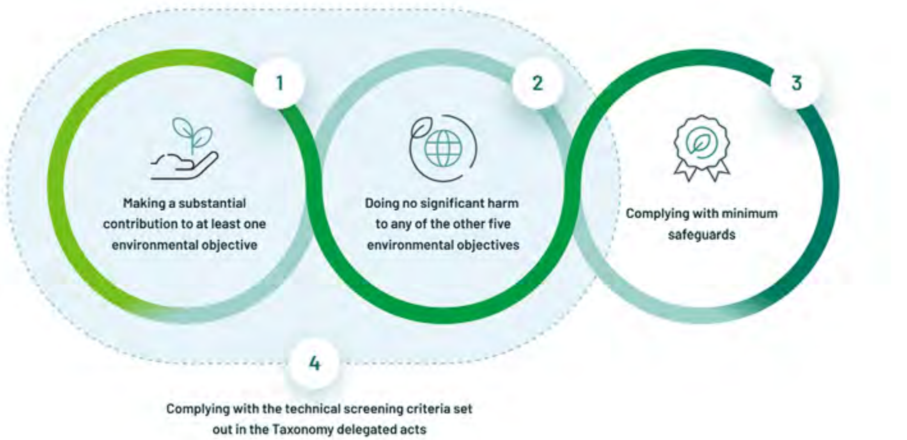
Under the Taxonomy Regulation, an economic activity is considered **environmentally sustainable** if it meets **all four of the following conditions**:

1. It makes a substantial contribution to at least one of the six environmental objectives.

2. It does no significant harm to any of the other five objectives.

3. It complies with minimum social safeguards as laid out in international standards.

4. It complies with the relevant Technical Screening Criteria, which define detailed thresholds and metrics for each activity.



Even before your company falls within the CSRD or Taxonomy scope, it is strongly recommended to **begin assessing alignment** with OECD and UN guidance on social and environmental matters. Doing so will allow for the early detection of gaps in data, systems or processes and offer time to adapt internal controls, governance, and disclosures before reporting becomes mandatory. This preparatory work is increasingly important as **value chain transparency expectations grow**, even for companies not directly in scope.

Consequences of non-compliance

As of 2025, each Member State's **National Competent Authority (NCA)** is responsible for supervising company compliance with the EU Taxonomy Regulation, particularly for financial undertakings. These NCAs are empowered to **investigate non-compliance, request corrective action, and initiate enforcement procedures** in case of breaches[29].

Although **no uniform EU-level sanctions** are defined directly within the Taxonomy Regulation, enforcement is closely tied to the **CSRD compliance framework**, which includes potential **administrative fines, public reprimands**, and **auditor qualifications** in case of inaccurate or omitted disclosures[30]. In addition to legal and supervisory risks, failure to align with the Taxonomy may:

- Undermine a company's **access to green finance**, especially from EU-based institutional investors subject to the SFDR;
- Increase the risk of **exclusion from ESG-labelled portfolios or downgrades in sustainability ratings**;
- Lead to **reputational damage**, particularly in sectors with high visibility or strong retail investor engagement.

Challenges

Despite growing regulatory clarity, companies continue to face a number of structural and operational challenges when implementing the EU Taxonomy framework:

- **Mapping eligible activities** across complex or diversified business models remains difficult, particularly for conglomerates or service providers;
- **Data availability** and **traceability**, especially for Scope 3 emissions and DNSH criteria, is a common constraint, notably in global value chains or where suppliers are SMEs not subject to CSRD;
- **Technical complexity** of the delegated acts, including evolving thresholds, multiple metrics, and layered compliance criteria;
- **Internal capability gaps**, particularly in aligning sustainability reporting with financial accounting systems and enterprise resource planning (ERP) platforms;

[29] European Commission, 2023: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

[30] Directive (EU) 2022/2464: https://eur-lex.europa.eu/eli/dir/2022/2464/oj

- **Resource allocation**, as many firms report limited availability of ESG specialists or IT infrastructure to support alignment and audit-readiness.

These implementation hurdles were extensively documented in the **EFRAG/EY 2024 field test on ESRS and Taxonomy alignment,** which highlighted the **time-consuming nature of compliance and the need for sector-specific guidance** (EFRAG, March 2024).

Considerations for SMEs

While most SMEs are not directly subject to the EU Taxonomy under current CSRD thresholds, they are increasingly exposed to indirect obligations through their participation in larger companies' supply chains and the expectations of financial partners. In 2024, both **EFRAG** and the **European Commission** reiterated that upstream ESG transparency is **critical for accurate reporting by in-scope entities**, and **recommended SMEs prepare voluntary alignment** with simplified standards[31].

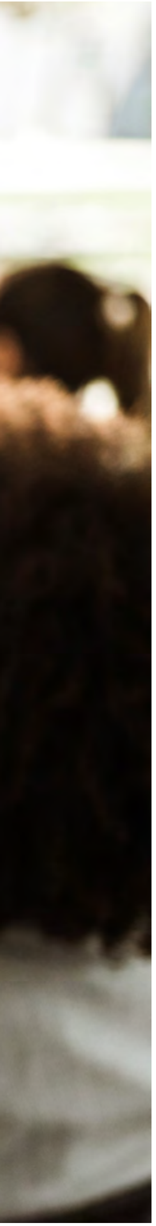
Early action by SMEs can yield strategic benefits:

1. **Enhancing eligibility for sustainable financing instruments**, including green loans and ESG-linked credit facilities, increasingly offered by EU banks.
2. **Strengthening business continuity** and resilience to ESG-related tender requirements, especially in regulated or public procurement sectors.
3. **Differentiating through credible sustainability claims**, improving access to partners, customers, and investors who now demand Taxonomy-compatible disclosures.

The Omnibus Simplification Package brought two potential changes to the SMEs:

- Potential exclusion of listed SMEs from the the mandatory reporting obligations under the CSRD;
- A "value chain cap", shielding smaller suppliers from excessive ESG data requests as the reporting companies under the CSRD would only require information deemed necessary under a newly developed voluntary standard (to be proposed by EFRAG based on the current VSME standards), effectively limiting certain information they can acquire from upstream and downstream partners.

[31] European Commission, 2024, EFRAG SME Sustainability Reporting Standards – Exposure Draft, 2024: https://green-forum.ec.europa.eu/news/public-consultation-new-sustainability-reporting-standards-smes-under-csrd-2024-02-29_en#:~:text=EFRAG%20has%20published%20two%20Exposure%20Drafts%20on%20sustainability,EMAS%20stakeholders%20are%20encouraged%20to%20provide%20their%20input.



3. Corporate Sustainability Due Diligence Directive (CSDDD)

Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD is a directive that interlinks with the CSRD and the EU Taxonomy. It requires in-scope companies to **implement a robust due diligence process into their environmental and human rights efforts**, as well as those of their subsidiaries and the entire chain of activities.

The objectives of the directive include:

- Standardising the legal framework for sustainability efforts;
- Encouraging improved risk management and flexibility;
- Increasing the awareness of companies' impacts on the environment and human rights;
- Improving customer trust in organisations' sustainability efforts;
- Increasing the attractiveness of organisations to sustainability-conscious talents and investors;
- Encouraging a focus on innovation;
- Facilitating access to additional funding opportunities;
- Improving the environment for future generations;
- Encouraging better working conditions across the world;
- Increasing awareness of sustainability issues.

WHO IS AFFECTED?

Scope

The CSDDD applies to European Union companies and non-EU parent companies with more than 1,000 employees that have operations within the Union, and a worldwide turnover greater than €450 million.

Implementation timeline (as under the initial Omnibus Simplification Package):

- **2027:** Companies with more than 5,000 employees and a worldwide turnover of more than €1.5 billion;
- **2028:** Companies with more than 3,000 employees and a worldwide turnover of more than €900 million;
- **2029:** Companies with more than 1,000 employees and a worldwide turnover of more than €450 million, delayed by one year per the Omnibus Simplification Package. Also, companies with franchising or licensing agreements in the EU, a common corporate identity, a worldwide turnover of more than €80 million, and at least €22.5 million from royalties.

CSDDD REQUIREMENTS

All companies must develop, adopt and implement a climate transition plan that ensures their business activities are in line with the Paris Agreement commitment to limiting global warming to 1.5 °C.

In addition, they must undertake a six-part due diligence process to ensure they can **identify and mitigate risks related to sustainability within their activity chains**. This includes:

1. Embedding a due diligence process into company policy for the business and direct and indirect business partners;
2. Identifying actual and potential adverse impacts of their operations and supply chain;
3. Stopping, mitigating and preventing adverse impacts;
4. Creating a complaints procedure where stakeholders along the value chain can report adverse sustainability impacts;
5. Monitoring the performance of the organisation against the CSDDD requirements;
6. Communicating outcomes in an annual statement on the company website in order to avoid duplicating reporting obligations. While the Directive does not introduce any new reporting obligations in addition to those under the CSRD, in-scope companies that do not fall under the CSRD should publish an annual statement on their website with respect to their activities.

COMPLIANCE

Directors have a **duty to integrate due diligence** into company strategy and to set up and oversee the due diligence process, taking into account sustainability impacts as part of their regular board work.

CONSEQUENCES OF NON-COMPLIANCE

Companies could be held liable for damages if they fail to prevent or halt adverse impacts related to their operations or value chains. Any affected person may bring an action against the company and seek compensation for the loss incurred. Member States must designate competent authorities to monitor compliance and enforce the CSDDD, including the power to investigate breaches and impose penalties. Companies failing to meet their obligations may be subject to sanctions that are "effective, proportionate and dissuasive". While the Omnibus Simplification Package delays CSRD and CSDDD deadlines, it also removes the EU-wide harmonised civil liability framework under the CSDDD, deleting Article 29(7) and repealing representative actions – leaving liability and enforcement to Member States' national laws.

CHALLENGES

- Ring-fencing significant resources for establishing and operating due diligence processes;
- Legal liability requires close consideration from compliance teams in order to adhere to the law;
- Potential financial and operational impacts if the company is required to invest in new technologies and partnerships to meet its obligations;
- Clear communication with supply chain partners to ensure compliance throughout the chain.

CONSIDERATIONS FOR SMES

SMEs are not directly affected by the CSDDD, but they may indirectly need to adhere to some of its principles as part of a larger company's supply chain. This might mean adjusting some processes and procedures to align with that organisation's due diligence process.

4. Sustainable Finance Disclosure Regulation (SFDR)

The SFDR came into force in March 2021 and aims to provide transparency in the financial sector on the nature of products that are labelled as being 'sustainable.' It establishes a **standard framework for investors** to navigate the market. This helps to eliminate greenwashing and gives shareholders a level playing field for comparing products to add to their sustainable portfolios.

The regulation provides clarity on:

- Sustainability risks;
- The potential for adverse impacts of investments;
- Sustainability-related information on financial products.

With the CSRD, the SFDR utilises the framework created by the EU Taxonomy to identify products and activities that are sustainable. Notably, a comprehensive SFDR review is ongoing, with proposed revisions (often dubbed "SFDR 2.0") expected in Q4 2025.

WHO IS AFFECTED?

The SFDR is **aimed at financial market participants** (FMPs), such as investment firms, venture capital funds, pension funds, banks, asset managers, insurance companies and financial advisors. It includes all EU-based FMPs and non-EU participants that market their products or funds in the EU.

- FMPs with 500 or more employees are obligated to report;
- Smaller firms report under the "comply-or-explain" principle.

REPORTING REQUIREMENTS

Those FMPs within the scope of the SFDR should make firm-level and product-level disclosures on how they integrate sustainability risks and promote ESG factors, how they assess adverse sustainability impacts and what their sustainable investment objectives are.

Minimum disclosures

At firm level, they must report:

- The potential adverse effects of the investment portfolio on ESG factors;
- Whether they have considered these risks in the decision-making process leading to an investment;
- How consistent their remuneration policies are with sustainability risks.

At product level, they must report:

- How the performance of the product might be affected by sustainability risks;
- If and how the product might affect sustainability;
- The process for monitoring, measuring and assessing the sustainability impact of products.

Additional disclosures

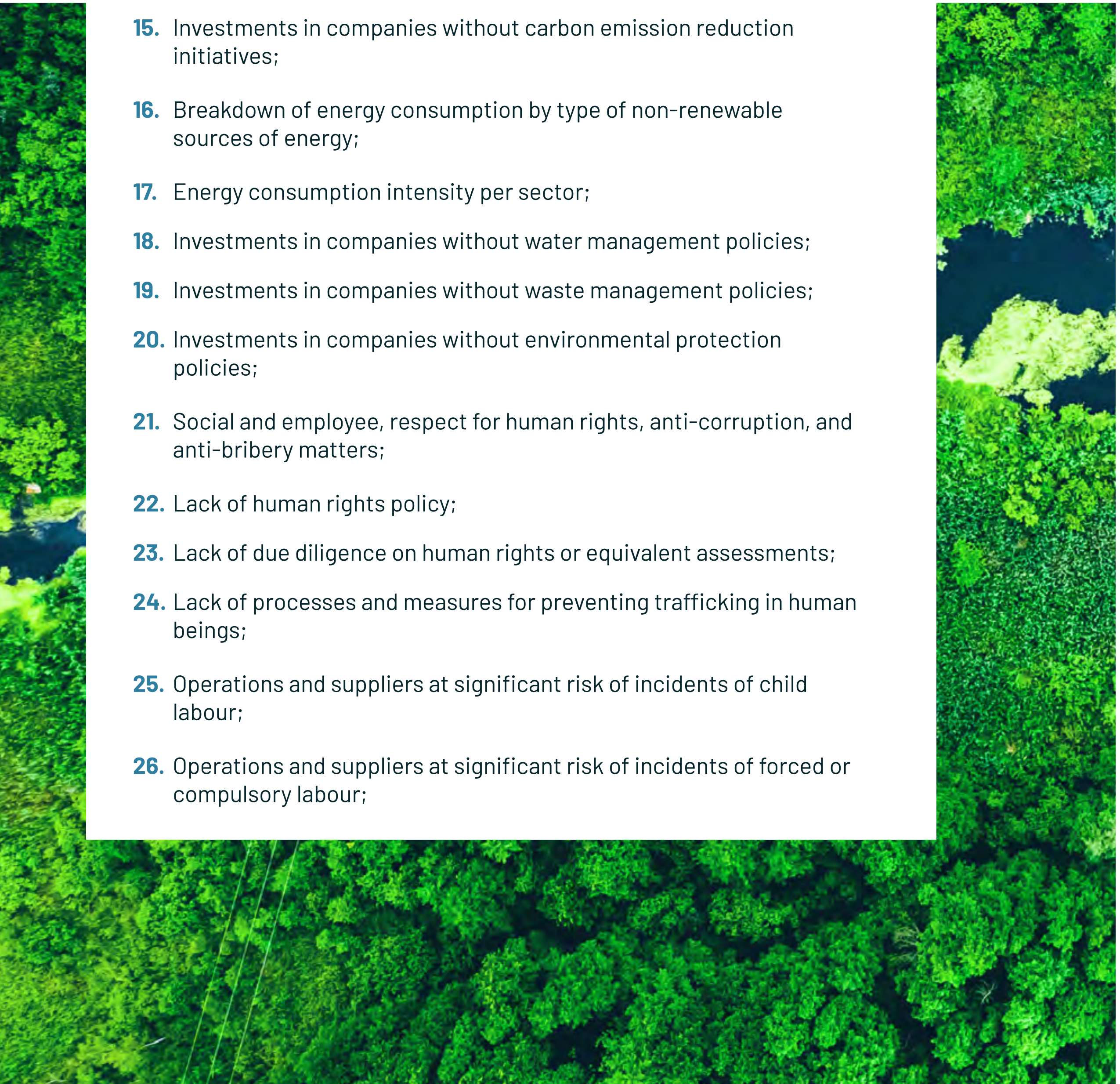
There are additional disclosures for the so-called Article 8 and 9 funds, which promote and integrate ESG into their investment process and have the objective of sustainable investment, respectively.

Those within the scope of the SFDR must monitor the 14 mandatory Principal Adverse Impacts (PAI) and two or more additional PAIs they face at both product and firm levels, producing a PAI statement.

MANDATORY PAIs

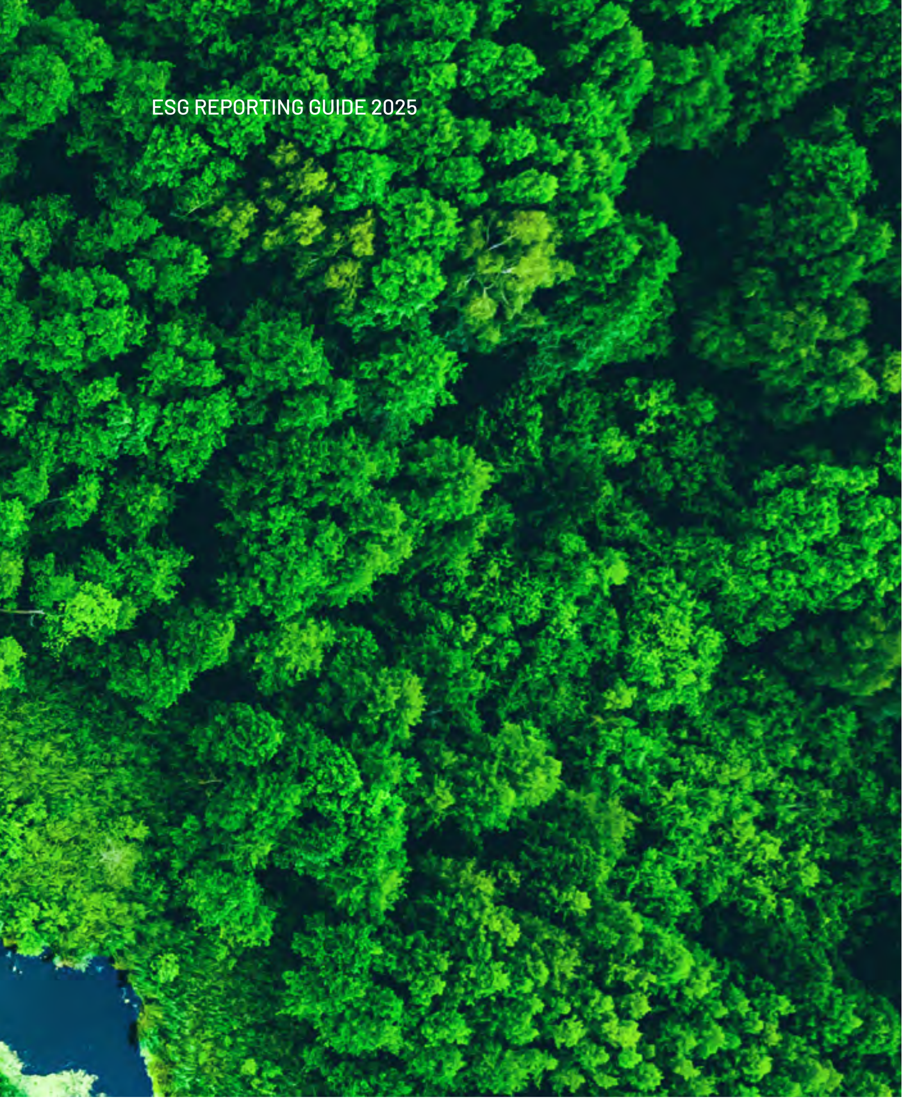
1. Greenhouse gas emissions (Scope 1, Scope 2, Scope 3);
2. Carbon footprint;
3. GHG intensity of investee companies;
4. Exposure to companies active in the fossil fuel sector;
5. Share of non-renewable energy consumption and production;
6. Energy consumption intensity per high-impact climate sector;
7. Violations of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises;
8. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises;
9. Unadjusted gender pay gap;
10. Board gender diversity;
11. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons, and biological weapons);
12. Investee countries subject to social violations;
13. Investee countries subject to environmental violations;
14. Number of incidents of discrimination.

ADDITIONAL PAIs



15. Investments in companies without carbon emission reduction initiatives;
16. Breakdown of energy consumption by type of non-renewable sources of energy;
17. Energy consumption intensity per sector;
18. Investments in companies without water management policies;
19. Investments in companies without waste management policies;
20. Investments in companies without environmental protection policies;
21. Social and employee, respect for human rights, anti-corruption, and anti-bribery matters;
22. Lack of human rights policy;
23. Lack of due diligence on human rights or equivalent assessments;
24. Lack of processes and measures for preventing trafficking in human beings;
25. Operations and suppliers at significant risk of incidents of child labour;
26. Operations and suppliers at significant risk of incidents of forced or compulsory labour;

27. Number of identified cases of severe human rights issues and incidents;
28. Lack of anti-corruption and anti-bribery policies;
29. Cases of insufficient action taken in response to incidents of corruption;
30. Number of convictions and amount of fines for violations of anti-corruption and anti-bribery laws.



COMPLIANCE

FMPs must publish their policies for due diligence on sustainability risks on their websites. This includes details on how they identify PAIs relevant to the organisation and prioritise them, as well as the actions they take to mitigate them. They should also detail how they prevent and manage conflicts of interest.

CONSEQUENCES OF NON-COMPLIANCE

There are no non-compliance sanctions set out in the SFDR, but stakeholders will be able to compare FMPs and their products more easily through their disclosures and where an FMP does not report, this could affect investment decisions. Reputational damage for non-compliant firms is another risk.

CHALLENGES

- Data collection takes expertise and resources that some firms may not be able to access;
- Data accuracy is difficult to achieve;
- Investment needed in data mapping and other aspects of reporting;
- Some adverse impacts depend on other entities, creating a challenge in accessing data.

CONSIDERATIONS FOR SMES

As listed SMEs appear in investors' portfolios, the SFDR can have an indirect impact on them in a number of ways. **FMPs may require more detailed ESG data from an issuer in order to meet reporting obligations,** increasing the workload for stakeholders in an SME. The regulation requires greater transparency in sustainability matters for all the issuers in which they invest so that FMPs can understand the PAIs relevant to their portfolios.

Some of the potential positive impacts include opportunities for SMEs to demonstrate strong ESG practices, as FMPs look for genuinely sustainable investments. **Ensuring your SME has a robust ESG policy can provide access to green financing options and sustainable investment funds**.

CASE STUDY

AXA Investment Managers – how ESG data can inform investors

AXA Investment Managers (AXA IM) is a leading global asset manager (approx. €379 billion AuM as of the end of 2023) with a long-standing commitment to ESG integration. The firm combines third-party ESG data from providers like MSCI and Sustainalytics with extensive internal analysis, proprietary scoring, and Principal Adverse Impact (PAI) disclosures under SFDR.

STEP 1 – INTEGRATING THIRD-PARTY RATINGS WITH IN-HOUSE METRICS

AXA IM layers internal research atop base scores from MSCI, Sustainalytics, and other data providers. For example, in credit and equity analysis, portfolio managers can challenge vendor ratings and trigger internal reviews. Adjustments are vetted through a governance committee to enhance coverage and accuracy.

STEP 2 – ESG SCORING FRAMEWORK

AXA IM employs a sector-adjusted ESG scoring system aligned with frameworks like SFDR, EU Taxonomy, TCFD, and SASB. This system applies uniformly across asset classes, from sovereigns to private equity, using structured questionnaires, quantitative metrics and due diligence protocols.

STEP 3 – PAI DISCLOSURE UNDER SFDR

For its SFDR mandates, AXA IM consolidates PAIs at both entity and product level, covering all 14 mandatory indicators (e.g. Scope 1-3 GHG emissions, biodiversity, board diversity) and additional indicators tailored to asset classes like real estate. Reporting for 2022 and 2023 shows high data coverage, e.g., 95% coverage for Scope 1 emissions, and discloses remaining data gaps transparently.

STEP 4 – GOVERNANCE AND OVERSIGHT STRUCTURES

ESG integration is embedded across multiple layers of AXA IM's organisation. The Responsible Investment (RI) team coordinates reviews, escalation and policy implementation. Senior decision-makers (e.g. CIO, RI Committee, Management Board) oversee consistency and accountability.

STEP 5 – BENEFITS OF ESG DATA AGGREGATION IN INVESTMENT DECISIONS

- Enhanced investment decision-making: The combined ESG framework allows fund managers to incorporate material ESG insights into financial analysis, with data weighted by sector risks and improved internal challenge;
- Transparency towards regulators and clients: AXA IM's extensive PAI disclosures and inclusion of all mandatory SFDR indicators enhance credibility. Strong data governance underpins sustainable product-labelling compliance.

V. Key ESG trends and timeline (2025–2027)

1. Climate transition plans under ESRS E1

Under the Corporate Sustainability Reporting Directive (CSRD), companies in scope must disclose a climate transition plan or a projected creation and implementation timeline that demonstrates alignment with both the EU objective of climate neutrality by 2050, as well as the Paris Agreement goal of limiting global temperature rise to 1.5 °C. This requirement is set out in ESRS E1 (Climate change) and applies to both financial and non-financial undertakings. The objective is to ensure that companies assess their exposure to climate-related risks, define decarbonisation trajectories, and adapt their strategy and governance accordingly.

The UN Sustainable Stock Exchanges (UN SSE) initiative, in its 2025 Model Guidance on Climate Transition Plans, provides a detailed checklist to guide companies in developing credible transition plans. Although designed for climate, its logic and structure are increasingly relevant to biodiversity strategies as well. The checklist includes:

A. FOUNDATIONS/STRATEGIC AMBITION

- Define the strategic ambition, objectives and priorities of the transition plan;
- Explain the external/internal factors informing this ambition and any trade-offs or co-benefits considered;
- Clarify whether impacts on stakeholders, the economy or the environment have shaped the plan;
- Indicate alignment with climate or biodiversity goals (e.g. global targets);
- Describe expected business outcomes and the timeframe for implementation.

B. ASSUMPTIONS, DEPENDENCIES, AND CONTINGENCIES

- Disclose key assumptions (e.g. climate scenarios, market trends, technologies) and their sources;
- Explain mechanisms to handle uncertainty, including contingency plans and triggers for adjustments;
- Describe how past investment decisions affect the plan's trajectory;
- Indicate whether feedback from stakeholders informs updates.

C. GOVERNANCE

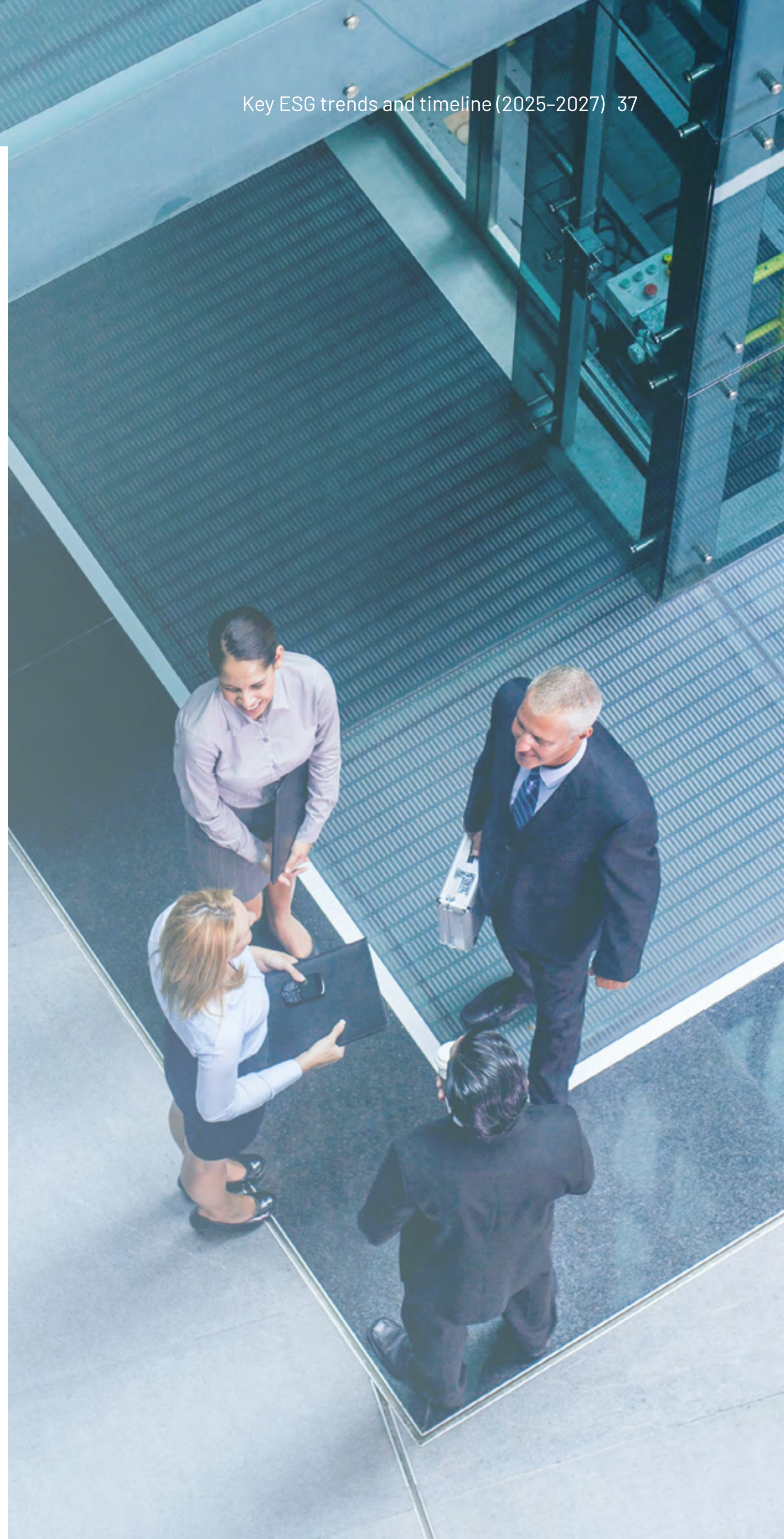
- Outline Board and management oversight mechanisms;
- Detail relevant expertise, training, and processes for reviewing and updating the plan;
- Describe how executive remuneration is linked to the strategic ambition.

D. IMPLEMENTATION STRATEGY, METRICS AND TARGETS

- Specify the transition levers, actions, and resources (financial and operational) supporting implementation;
- Define success using measurable metrics and targets, including interim milestones;
- Clarify whether carbon offsets or nature-based solutions are part of the strategy;
- Explain integration into broader financial planning and risk management systems.

E. ENGAGEMENT AND ASSURANCE

- Describe how engagement with stakeholders and business partners has shaped the plan;
- Disclose lobbying activities and their consistency with climate/nature goals;
- State whether parts of the plan have been independently verified and under what assurance framework.



CASE STUDY

Veolia – Moody's Net Zero Assessment (NZA)

Veolia Environnement S.A., headquartered in France, is a global leader in environmental services. The Group covers the water, waste and energy sectors, serving over 111 million people in water supply and 98 million in wastewater treatment. With around 215,000 employees and €44.7 billion in revenue as of 2024, Veolia has been listed on Euronext Paris since 2000 and is committed to achieving net-zero greenhouse gas (GHG) emissions by 2050 under a structured climate strategy.

1. TRANSITION PLAN AND NET ZERO 2050 STRATEGY

In 2024, Veolia set out its net-zero 2050 trajectory compatible with limiting global warming to 1.5 °C. In July 2024, the Science-Based Targets initiative (SBTi) validated Veolia's short-term emissions reduction target (50% by 2032) and registered the Group's commitment to lowering its long-term emissions to achieve the target of net zero emissions by 2050. International rating agency Moody's Ratings also analysed and recognised the quality of Veolia's transition plan, awarding the company an overall score of NZ-2, based on its 1.5 °C-aligned ambition and on the solidity of its implementation. The trajectory includes strategic milestones to be achieved by 2032 (all compared with 2021): a 50% decrease in Scope 1 and 2 emissions, and a 30% reduction in the main sources of their Scope 3 emissions.

To achieve such emission reductions by 2032, Veolia is taking a range of actions across operations and regions:

- Phasing out coal in the energy business with €1.6 billion investment over 2020-30;
- Increasing methane capture at landfill sites for non-recyclable waste;
- Sorting and removing more plastic from incinerator inputs for the waste business;
- Improving energy efficiency across all business areas;
- Decarbonising the energy mix in Veolia-operated heat networks.

The Group also plans to use vehicles with lower GHGs (electric and hybrid engines) and lower carbon fuels.

2. MOODY'S INDEPENDENT NET-ZERO ASSESSMENT

Moody's has assigned an NZ-2 net zero assessment (NZA) score (advanced) to Veolia Environnement S.A.'s carbon transition plan. The Group's ambition score is 1.5 °C, meaning that its emission reduction targets are consistent with the most ambitious Paris Agreement goals of limiting temperature increases. Veolia's solid implementation score indicates a high likelihood of achieving its short and long-term targets. Its transition plan relies largely on the deployment of well-proven technologies that are familiar to the Group. The bulk of the projected transition investments are accretive to the business, either through valorisation of currently wasted resources or by reinforcing ties with customers. Despite a degree of reliance on grid decarbonisation and the deployment of carbon capture, the score reflects that Veolia will likely attain emissions levels close to those required under 1.5 °C scenarios.

Moody's NZA provides an independent and comparable evaluation of an entity's carbon transition plan. It is based on an assessment of its environmental objectives (ambition), which underpins the potential maximum NZA outcome, and of the likelihood of achieving these objectives (implementation), as well as of specific governance aspects, both of which may lower the initial outcome.

- The ambition score compares the entity's emissions targets with sector-specific decarbonisation pathways derived from scenario modelling conducted by the International Energy Agency. The score is expressed on a six-point temperature scale, ranging from 1.5 °C to above 2.5°C;
- The implementation score assesses the actions, assumptions and strategic coherence of the entity's emissions transition plan, scoring both short-term and long-term Scope 1 and 2 and Scope 3;
- The GHG governance score spans a series of sub-factors from accounting and monitoring of targets to the integration of climate objectives in risk management, oversight and executive compensation.

To learn more, see Net Zero Assessment (NZA) | Carbon Transition Ratings – Moody's.

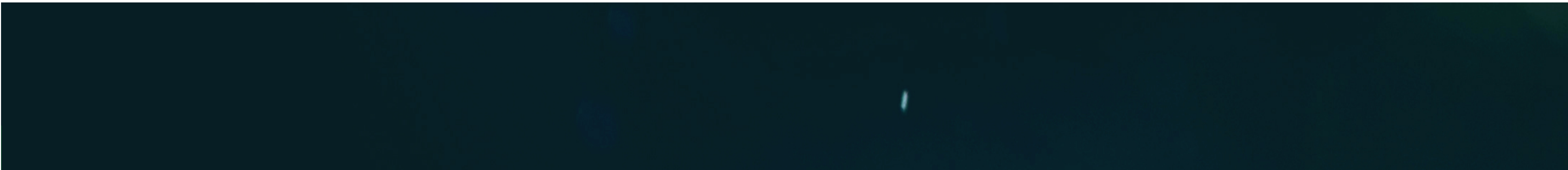
3. IMPLEMENTATION AND GOVERNANCE OF THE NET ZERO STRATEGY

Veolia mainly intends to reduce its footprint by rolling out well-proven solutions that are already widely adopted in some parts of its business. Implementing these plans will only lead to moderate business constraints for a group of Veolia's size and technical ability. The Group's track record in related capital expenditure and emission reductions supports Moody's implementation assessment.

The ongoing capital spending plan, which will help implement the new targets, includes the following:

- A multiyear investment of €1.6 billion over 10 years (2020-30) to exit coal in Europe (the annual average of €160 million amounts to roughly 40% of Veolia's yearly discretionary investments of ca. €400 million, out of its overall capital expenditure budget of €3 billion). As of September 2023, the Group had spent about €519 million on that programme. It was on track to deliver the related projected reduction of 4.1 million TCO2eq by 2030, nearly one-quarter of the Scopes 1 and 2 reductions targeted by 2032;
- €85 million investment to increase the capture of methane at landfill sites in Latin America. The Group aims to capture an extra 1.5 million TCO2eq of methane in this area by 2026, by pushing the capture rate to 70% from 40% (the average of its European operations is above 85%). Outside Latin America, a number of large landfill sites have already been identified for similar investments, which would drive a potential 5.2 million TCO2eq decrease in emissions (around 30% of targeted reductions), through a limited incremental €200 million overall investment.

Veolia is also taking other active steps to reduce its emissions, especially applying its expertise in energy efficiency and heat recovery throughout all its own processes, as well as recycling more plastics through increased sorting of the waste it handles. The implementation of that last step depends in part, however, on the conclusion of new contracts or amendments with Veolia's clients.



Veolia's transition-related governance practices have been scored as tier 1 by Moody's, the highest possible outcome, and are supportive of the plan's implementation. The Group's practices reflect a superior performance in most aspects of the governance analysis and at least limited third-party verification of emissions reported (assurance) for all scopes. Veolia's targets are clear and set to absolute amounts.

The integration of climate objectives in the Group strategy and the consistency of its behaviour are of a similarly high level. The Group has clear board-level responsibility, reporting and scrutiny for its sustainability objectives. Since January 2024, the Finance Department has monitored each business unit's carbon dioxide (CO_2) performance on a quarterly basis.

Veolia's senior executive team, capturing its top 550 senior executives, is incentivised in part since 2024 through a direct link to a short-term (year-end 2026) GHG emission reduction target. All business unit leaders are responsible for delivering a CO_2 budget, alongside their financial budgets.

For more information, see **Veolia Climate Report 2024**; **Veolia NZA report**

2. VSME Standard

As sustainability disclosure becomes a strategic imperative across the European corporate landscape, the European Commission has introduced a **Voluntary Sustainability Reporting Standard for Micro, Small and Medium-sized Enterprises (VSME Standard)** to extend ESG transparency beyond large listed entities. Though not legally binding, this new standard is designed to support **non-listed undertakings** – including the self-employed, unincorporated businesses, and listed microcaps – in addressing the rising expectations of **banks, investors, and supply chain partners**, while also improving their internal sustainability management.

The VSME Standard encourages smaller firms currently outside the scope of the CSRD to report voluntarily on key sustainability dimensions, thereby enhancing their competitive positioning, access to finance, and long-term resilience. To ensure proportionality, it applies to undertakings that do not exceed two of the following thresholds:

- **Micro-enterprises**: €450,000 in assets, €900,000 in turnover, or 10 employees;
- **Small enterprises**: €5 million in assets, €10 million in turnover, or 50 employees;
- **Medium-sized enterprises**: €25 million in assets, €50 million in turnover, or 250 employees.

The standard is structured around two modular levels of disclosure:

- The **Basic Module**, designed as the entry point for all SMEs (and the target for micro-enterprises), includes **two core disclosures (B1–B2)** and **nine standard metrics (B3–B11);**
- The **Comprehensive Module** builds on this foundation with additional data points likely to be required by financial stakeholders, allowing SMEs to enhance their ESG profile progressively.

While mirroring the structure and content of the ESRS for large undertakings, the VSME Standard adapts requirements to the specific constraints and realities of smaller businesses. It aims to foster pragmatic alignment with EU sustainability objectives while maintaining flexibility and relevance.

As this standard gains visibility, a growing number of SMEs are choosing to adopt it ahead of any legal mandate, as a signal of transparency, maturity, and readiness to engage with evolving sustainability ecosystems. One such example is **AFYREN**, a French greentech SME listed on Euronext Growth, which has voluntarily structured its first sustainability report in accordance with ESRS principles. Its case illustrates how smaller industrial players can effectively leverage ESG reporting not only as a compliance tool but as a strategic driver of trust, differentiation, and long-term value creation.

CASE STUDY

How French listed SME AFYREN leverages the CSRD to build an effective ESG strategy

AFYREN

ALAFY
EURONEXT
GROWTH

AFYREN is a sustainable chemistry ("greentech") company that offers innovative solutions for replacing petroleum-based ingredients with non-food biomass products, in line with a circular, low-carbon economy approach. Using natural microorganisms, AFYREN's technology allows the production of a family of seven entirely biobased organic acids, as well as one high-value-added fertiliser. AFYREN listed on Euronext Growth Paris in 2021.

A FIRST SUSTAINABILITY REPORT INSPIRED BY THE CSRD DIRECTIVE

As a growing industrial player, AFYREN is reaffirming its responsibility towards environmental and social issues and has decided to publish its first sustainability report to assess its initiatives and performance in this area. This approach is also part of a gradual alignment with the European CSRD directive. AFYREN is not currently subject to this directive; nonetheless, last year, the Group voluntarily drew up its first sustainability report in accordance with ESRS (Environmental, Social, and Governance Reporting Standards). AFYREN is committed to maintaining its efforts in terms of transparency and plans to gradually introduce a double materiality analysis.

A CLEAR STRATEGY TO STRENGTHEN AFYREN'S POSITIVE IMPACT ON THE ENVIRONMENT AND SOCIETY

Since its creation, AFYREN has sought to assert its position as an innovative and responsible company, as reflected in its *raison d'être*: "To make possible a low-carbon, circular and regenerative industry by providing biobased solutions built with our partners to benefit the environment". Structured around three CSR pillars, AFYREN has defined a clear strategy to strengthen its positive impact on the environment and society.

PILLAR I: PRODUCTS AND INNOVATION

AFYREN has achieved ambitious targets for 2024, with 100% of its solutions offering a sustainability advantage for industry and consumers (assessed by life cycle assessment of its products). Eco-design is at the heart of AFYREN's innovation, with bio-based raw materials that do not compete with food crops and certified sustainable end products that offer a low-carbon alternative to fossil resources (carbon footprint reduced by ~80% compared to petroleum-based products). CSR criteria are integrated into the company's project management to maintain this level of performance and meet the expectations and needs of consumers and customers. In the medium term, AFYREN is aiming to produce around 70,000 tons of 100% biobased, low-carbon acids a year.

PILLAR II: OPERATIONS AND GOVERNANCE

In the area of operations and governance, AFYREN is committed to pursuing its industrial development while containing its carbon footprint in order to eventually meet the "NetZero" trajectory and optimise the circularity of its model. All the acids produced by AFYREN are derived from regional renewable raw materials from residues and are transformed using a low-carbon process. AFYREN's fully circular process is described as 'zero industrial waste', since its only by-product is used as fertiliser in organic farming. To secure a broad supply of raw materials, AFYREN is continuing to test new bio-based substrates in the laboratory. Ultimately, AFYREN is aiming for three production units, an optimised energy supply, and 100% of the biomass used coming from a sustainable supply. This will save around 130,000 tons of CO_2 per year throughout its value chain.

PILLAR III: EMPLOYEES AND STAKEHOLDERS

AFYREN places the relationship with its employees and stakeholders at the heart of its concerns. The company guarantees a safe and motivating environment for its teams, with a strongly developed safety culture at all levels and preventive actions. Against a backdrop of rapid growth in the company and its workforce (x5 in three years), the HR policy is based on close dialogue (notably with a 98% participation rate in the HR survey) and deployed to attract the best talent, structure the Group and ensure good organisational efficiency. The company benefits from a significant representation of women in management positions (40% of top management in 2024), as well as a wide range of profiles from very different sectors (including a Responsible Care® award for its innovative recruitment programme based on the simulation-based recruitment method). AFYREN is also fully committed to developing the bioeconomy sector in the regions where it operates, with 79 skilled industrial jobs created in Carling Saint-Avold by 2024. AFYREN intends to continue its development in order to create several hundred skilled local industrial jobs in the medium term and to pursue an ambitious workplace safety policy (with a Total Recordable Incident Rate (TRIR) of 3.56 in 2024 and a "0 accident" policy ambition).

The pursuit of operational excellence and the integration of CSR and ethical practices into its processes has enabled AFYREN to obtain a rating of 85/100 (from EthiFinance) in 2024, with a constant progression in this evaluation over the last five years.

In November 2024, AFYREN was awarded a Silver Medal by Ecovadis for the second consecutive year. Its score of 68/100 placed it in the top 15% of all companies and the top 8% in its sector, improving by 7 points despite a more demanding benchmark due to a change in size category.

AFYREN's sustainability report aims to explain this vision and share its commitments and results in greater detail. It is an exercise in transparency and a tool that will facilitate the company's progress and dialogue with its stakeholders.

Find out more about how AFYREN adopted the VSME and how it communicates on its ESG strategy in its vision for the regenerative industry based on circular bioeconomy[32].

[32] AFYREN's vision for the regenerative industry based on circular bioeconomy: afyren.com/purpose.

3. ESG data accessibility

As ESG disclosure becomes integral to sustainable finance, the European Single Access Point (ESAP) is being developed as a centralised digital hub to provide comprehensive, machine-readable ESG and financial data by July 2027.

Key features and timeline:

- Central repository for ESG and financial disclosures: Mandated under Regulation (EU) 2023/2859, ESAP will aggregate information reported under CSRD, Taxonomy, SFDR, and other EU acts;
- Implementation timeline:
  - Data collection begins in July 2026.
  - Public availability by 10 July 2027, with gradual maturity through 2030.
- Two-tier data submission model: EU entities submit to national 'collection bodies' (e.g., national agencies or OAMs), which forward the data via ESMA to ESAP.

Impacts on stakeholders:

- Investors and analysts: ESAP enables easy access to standardised, high-quality ESG data and financial metrics, enhancing comparability and supporting improved investment decisions;
- Companies in scope: ESAP follows a "file-once" principle, minimising reporting burden by reusing CSRD/ESRS data submissions. New mandatory submission obligations via national collection bodies will not require entirely new reports;
- SMEs and non-listed firms: While not mandatory, ESAP offers a voluntary route to publish sustainability data, enhancing market exposure – particularly valuable for SMEs seeking visibility and financing.

Broader implications:

- Improved ESG comparability: Machine-readable execution (iXBRL tagging via ESMA standards) and harmonised formatting will allow better cross-company ESG benchmarking and reduce reporting errors;
- Platform for innovation: ESAP supports advanced business use cases – analytics, AI-driven insights, regulatory monitoring, and automated due diligence;
- Capital Markets Union enhancement: ESAP represents a concrete step toward integrating EU capital markets, enabling cross-border access to sustainable investment grade disclosures.

4. Reporting on biodiversity:

Biodiversity reporting remains voluntary in most jurisdictions, but is rapidly becoming central to corporate sustainability strategies. Since its launch in September 2023, the **Taskforce on Nature-related Financial Disclosures (TNFD)** has attracted over 500 adopters, including corporates, financial institutions, and asset owners, offering a voluntary framework to assess and disclose nature-related dependencies, risks, impacts and opportunities.

Modelled on the TCFD, the TNFD is structured around four pillars:

1. Governance;
2. Strategy;
3. Risk and impact management;
4. Metrics and targets.

It also introduces the **LEAP approach** (Locate, Evaluate, Assess, Prepare), helping companies systematically integrate nature into risk management and disclosures. Biodiversity risk analysis must therefore be based on both analyses of asset location and analyses of impacts and dependencies on biodiversity, measured using physical (rather than materiality) indicators.

Though not yet mandatory, TNFD-aligned reporting is gaining regulatory and investor support. The **European Sustainability Reporting Standards (ESRS E4) — adopted under the CSRD —** already embed key TNFD principles, especially around double materiality, ecosystem dependencies, and nature-related risk assessment. ESG rating agencies and supervisory bodies are also incorporating biodiversity into their evaluations, reinforcing the strategic and reputational stakes for companies.

VI. How can companies prepare for ESG reporting?

As well as understanding their compliance obligations, companies should also consider the significance of their ESG reporting in other areas, such as investor relations. Here are practical steps that you can take in this direction:

1. INTERNAL PREPARATION

Understand your current situation

Conduct a gap analysis on current non-financial reporting, comparing it to the required reporting standards which will apply once your organisation is in scope of the CSRD. Keep stakeholders engaged with your progress towards implementation. This will alleviate any investor concerns over the preparedness of the organisation for what is a major undertaking.

Put in place a competent in-house ESG team

Depending on the resources available, task an ESG team with organising and driving your sustainability strategy. Get buy-in from top management to ensure your message is driven from the top level of the organisation.

You might choose experts in different fields to concentrate on specific sustainability topics. This could include HR professionals covering the social and diversity reporting areas, for example.

2. STRATEGY AND ROADMAP

Prepare a roadmap for ESG data communication

The next step is to undertake a materiality analysis to understand the elements of ESG that are most pertinent to your organisation and its stakeholders. Consider the overarching themes and the sector-specific requirements to discover all activity-related issues that your roadmap must address.

The themes investors expect you to address include:

- Governance and business ethics;
- Working conditions, employee and product safety;
- Greenhouse gas emissions (Scopes 1, 2, and 3);
- Product lifecycle analysis (where relevant);
- Waste recycling (where relevant).

The European Sustainability Reporting Standards (ESRS) will help you plan exactly which elements of ESG to target in depth. You can also use your analysis on impacts and potential impacts to and by your organisation (double materiality) to identify KPIs that you cover in your ESG roadmap.

Formalise the policies that will help you improve performance against these KPIs and use them as the base of the roadmap.

Consider these elements within your roadmap:

- **Strategic components**

Ideally, the roadmap goes beyond reporting and incorporates ambitious strategic elements for the company.

- **Objectives and trajectory**

Roadmaps should include specific, gradual objectives with justified KPI methodologies and a timeline for implementation. This demonstrates that the company is committed to rectifying or improving an ESG-related situation, such as diversity, by striving to achieve concrete goals within a defined timeframe (e.g., within three years). A climate transition plan can serve as a basis to support the roadmap.

- **Governance**

The roadmap structures governance and business ethics topics, and the company may adopt a charter, such as the Middlenext code[33].

3. EXTERNAL COMMUNICATION

Establish consistent external ESG messaging

- **Analyse your investor base** and understand their ESG priorities through surveys, investor feedback and monitoring industry trends. Tailor your messaging and data to align with what matters most to different investor groups.

- **Integrate ESG with financial performance**

Draw the connecting lines between your financial and non-financial performance and give them equal billing to show that one feeds into the other and both are necessary for a resilient, long-term future. Highlight the strategic relevance of ESG initiatives to value creation for your stakeholders, including the shareholders.

- **Demonstrate leadership's commitment**

In order for investors to truly believe in the organisation's commitment to sustainability, senior leaders need to be shown supporting this approach. When you communicate with investors at events, have executives on hand to reinforce the measures that you are taking and the reasons behind your reporting.

- **Organise ESG events**

Plan webinars and ESG days as part of your outreach to investors with direct access to executives and the sustainability team so that they can ask questions and clear up any concerns.

- **Consider the suitability of an ESG rating**

Having an ESG rating helps you develop a benchmark for your sustainability efforts, as well as allowing investors to have a third-party view on your ESG strategy. However, different agencies use different methodologies to generate ratings, providing different weighting on certain areas; therefore, if you decide to go down this path, work with the agencies to understand which is the best fit for your business.

[33] Middlenext Corporate Governance Code www.middlenext.com/IMG/pdf/code_middlenext_2021_-_version_en.pdf

VII. Conclusion

ESG AS A VALUE CREATION DRIVER

In 2025, ESG is increasingly seen as a marker of both strategic foresight and operational resilience – not just compliance. Investors and advisors treat robust ESG practices as a signal that a company is equipped to manage emerging risks, uncover opportunities, and align with long-term value creation.

From risk mitigation to value generation

Recent research confirms a major shift: ESG is evolving from risk management to a core component of business strategy. According to SG Analytics' ESG Data Insights Report, companies that actively integrate sustainability into finance, IT, and business functions (termed "Advanced Integrators") report significantly higher returns. Notably, 67% see ESG driving sales growth, and 62% report improved investment attraction compared to approximately 40% among less integrated peers.

ESG in M&A and investment decisions

A 2024 global KPMG study revealed that 71% of dealmakers now evaluate ESG due diligence in transactions – not simply to avoid risk, but to drive value creation. Investors are pairing ESG review with financial performance, leveraging it to build post-merger integration and to deliver synergies.

Investor confidence and trust

Institutional surveys such as EY's April 2024 study highlight that while 88% of investors say ESG data has grown in importance, 92% express concern about ESG initiatives' short-term impacts on performance. This tension underscores the need for ESG to be firmly linked to financial returns and resilience.

KEY TAKEAWAYS FOR COMPANIES

- Integrate across functions: Finance, IT and sustainability teams must jointly own ESG data and strategy to unlock value, as proven by Advanced Integrators.
- Embed ESG in M&A playbooks: ESG diligence is now integral to deal value, not just reputational protection.
- Link ESG to financial outcomes: Investor trust hinges on evidence that ESG investments drive risk-adjusted returns, not just goodwill.

EURONEXT

VIII. About Euronext

For futher information, please visit
ESG investing and sustainability

Euronext is the leading European capital market infrastructure, covering the entire capital markets value chain, from listing, trading, clearing, settlement and custody, to solutions for issuers and investors. Euronext runs MTS, one of Europe's leading electronic fixed income trading markets, and Nord Pool, the European power market. Euronext also provides clearing and settlement services through Euronext Clearing and its Euronext Securities CSDs in Denmark, Italy, Norway and Portugal.

As of June 2025, Euronext's regulated exchanges in Belgium, France, Ireland, Italy, the Netherlands, Norway and Portugal host nearly 1,800 listed issuers with €6.3 trillion in market capitalisation, a strong blue-chip franchise and the largest global centre for debt and fund listings. With a diverse domestic and international client base, Euronext handles 25% of European lit equity trading. Its products include equities, FX, ETFs, bonds, derivatives, commodities and indices.

Euronext's commitment to meeting the ambitious goals of the Paris Agreement resulted in the launch of its Fit for 1.5° initiative, with internal targets backed by the Science-Based Targets initiative[34] and a pledge to develop services and products that help partners, clients and the European economy to curb the global temperature increase[35].

[34] Euronext: Delivering on our Fit for 1.5° ESG commitment with validated upgraded SBTi targets https://www.euronext.com/en/news/delivering-our-fit-for-15deg-esg-commitment-validated-upgraded-sbti-targets

[35] Fit For 1.5°: Euronext strategies for sustainable development and ESG best practices https://live.euronext.com/en/news/fit-15deg-euronext-strategies-sustainable-development-and-esg-best-practices

IX. Appendix

OVERVIEW OF REPORTING STANDARDS

These standards have been developed by various organisations, each with its own focus and methodology, to address the increasing demand for transparency and comparability in ESG reporting[36]. They were released before the adoption of the ESRS in the EU. There are ongoing efforts to align the various standards, and some, such as GRI and IFRS, are already harmonised.

CDP (CARBON DISCLOSURE PROJECT)

The Carbon Disclosure Project (CDP) is a non-profit organisation that runs a global disclosure system for investors, companies, cities and regions to manage their environmental impacts.

CDP has created a system that enables companies to report, measure and manage environmental impacts, particularly focusing on carbon emissions, water usage and forest conservation.

It was created to improve and encourage the reporting of climate-related financial information, offering a set of recommendations that are applicable to organisations across jurisdictions. This enhances how companies assess and disclose these risks, helping to smooth the transition to a more sustainable, low-carbon economy.

GHG PROTOCOL (GREENHOUSE GAS PROTOCOL)

The Greenhouse Gas Protocol provides the world's most widely used greenhouse gas accounting standards for governments and businesses. These standards enable organisations to measure, manage, and report their greenhouse gas emissions.

It offers comprehensive global standardised frameworks to promote environmental integrity and business efficiency in managing this area of environmental importance.

GRI (GLOBAL REPORTING INITIATIVE)

The GRI is an independent, international organisation that provides the world's most widely used standards for sustainability reporting. It aims to help organisations understand and communicate their impacts on the economy, environment and people.

The GRI standards have been influential in the development of the European Sustainability Reporting Standards (ESRS), ensuring a high degree of interoperability and facilitating the transition for companies already using the GRI framework[37].

[36] https://www.ibm.com/fr-fr/think/topics/environmental-social-and-governance-history
[37] ESG Today: GRI, EFRAG, Collaborate on Development of EU Sustainability Reporting Standards www.esgtoday.com/gri-efrag-collaborate-on-development-of-eu-sustainability-reporting-standards

IFRS

The IFRS Foundation, through the International Sustainability Standards Board (ISSB), has developed the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) to provide a global baseline for sustainability-related financial disclosures.

These standards are designed to complement the existing IFRS Accounting Standards and enhance transparency and comparability of companies' sustainability reporting. The ESRS and IFRS S standards are already aligned [38], allowing companies to comply efficiently with both sets of requirements.

PRI (PRINCIPLES FOR RESPONSIBLE INVESTMENT)

The Principles for Responsible Investment (PRI) are six aspirational principles promoting responsible investment. An international network of investors is working on implementing these.

It focuses on incorporating ESG issues into investment analysis and decision-making processes. The initiative is supported by the UN and aims to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment practices.

SASB (SUSTAINABILITY ACCOUNTING STANDARDS BOARD)

The Sustainability Accounting Standards Board (SASB) provides industry-specific standards that help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors.

SASB standards are designed to be evidence-based and market-informed to ensure relevance and practicality for investors and companies alike in disclosing financially material sustainability information. SASB is involved in developing the IFRS S standards as part of the ISSB.

SBTI

The Science-Based Targets initiative (SBTi) is a collaborative effort that supports companies in setting ambitious greenhouse gas reduction targets based on the latest climate science. It aims to drive corporate climate action by helping businesses establish measurable, science-based emissions reduction goals in line with the Paris Agreement's objectives.

This initiative is a partnership between CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

TNFD (TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES)

The Taskforce on Nature-related Financial Disclosures (TNFD) is a global initiative that provides a framework for organisations to identify, assess and disclose nature-related risks and opportunities.

Modelled on the structure of the TCFD, the TNFD framework is built around four pillars — Governance, Strategy, Risk & Impact Management, and Metrics & Targets — and introduces the LEAP approach (Locate, Evaluate, Assess, Prepare) to guide companies in integrating nature into their decision-making and reporting. Although adoption is currently voluntary, the TNFD is supported by investors, regulators, and standard-setters, and its core principles are increasingly being integrated into emerging regulations, such as ESRS E4 on Biodiversity under the CSRD.

The framework aims to enable a shift in global financial flows away from nature-negative outcomes and towards nature-positive and resilient business models.

[38] IFRS Foundation and EFRAG publish interoperability guidance www.efrag.org/News/Public-515/IFRS-Foundation-and-EFRAG-publish-interoperability-guidance